Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

CONFIDENTIAL

PAGE 01 MANILA 01376 271036Z
ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-01
STR-04 /086 W
----------271525Z 064917 /44
R 270915Z JAN 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5364
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
MTN GENEVA 741
CINCPAC

C O N F I D E N T I A L MANILA 1376

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EGEN, ETRD, EINV, ASEAN, EFIN
SUBJECT: ASEAN CONCERN OVER USG TAX TREATMENT OF AMERICAN
INVESTMENTS

REF: A) MANILA 1228 (NOTAL B) MANILA 939, 992, 1064

1. ACCORDING TO JOE FERNANDEZ OF THE DFA ASEAN SECRETARIAT, THE SINGAPOREAN GOVERNMENT HAD POINTED OUT THE ADVERSE EFFECTS ON INFLOWS OF PRIVATE U.S. INVESTMENT WHICH WOULD RESULT FROM AN IMPENDING CHANGE IN THE U.S. TAX CODE. HITHERTO, INCOME OF FOREIGN AFFILIATES OF U.S. COMPANIES INCORPORATED OVERSEAS WAS NOT SUBJECT TO U.S. TAXES UNTIL THE INCOME WAS REPATRIATED TO THE UNITED STATES. HENCE,
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 01376 271036Z

THE CALL IN THE MARCOS/LEE JOINT STATEMENT FOR AN ASEAN APPROACH TO THE UNITED STATES "TO PRESERVE THE PRESENT SYSTEM OF TAX DEFERRAL FOR AMERICAN INVESTMENTS IN ASEAN."

2. WE NOW BELIEVE THAT THE ASEAN CONCERN MAY RELATE TO SECTION 1022 OF THE TAX REFORM ACT OF 1976 WHICH REPEALS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

THE EXCLUSION FROM DIVIDEND TREAMENT PROVIDED A U.S. SHAREHOLDER FOR ACCUMULATED EARNINGS AND PROFITS OF A LESS-DEVELOPED COUNTRY CORPORATION IF HE SOLD OR EXCHANGED HIS STOCK AFTER HAVING HELD IT FOR A PERIOD OF AT LEAST 10 YEARS. (SEE SECTION 1248(D) (3) OF THE INTERNAL REVENUE CODE). THE EXCLUSION FROM DIVIDENT TREATMENT (HENCE, CAPITAL GAINS TREATMENT) ENCOURAGED ACCUMULATION OF EARNINGS AND PROFITS OVERSEAS, AND ITS REPEAL WOULD LIKELY ENCOURAGE EARLY OR ANNUAL REPATRIATION OF EARNINGS AND PROFITS WHICH WOULD IMMEDIATELY RESULT IN A BALANCE OF PAYMENTS OUTFLOW FROM THE LESS-DEVELOPED COUNTRY RATHER THAN POSTPONING AN ACCUMULATED OUTFLOW TO A LATER DATE. WHETHER IT WOULD IMPEDE PRIVATE AMERICAN INVESTMENT IS ANOTHER MATTER, HOWEVER.

3. WE ARE NOT TAX EXPERTS, AND WE ARE NOT SURE WHETHER OUR SUPPOSITION ABOVE IS CORRECT. WE WOULD THEREFORE APPRECIATE THE DEPARTMENT PROVIDING THE NECESSARY BACKGROUND AND GUIDANCE AS TO HOW WE SHOULD HANDLE THE ASEAN APPROACH WHICH IS YET TO TAKE PLACE.
SULLIVAN

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW, FOREIGN INVESTMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANILA01376
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770029-1117
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770113/aaaaalba.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fcc338d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MANILA 1228, 77 MANILA 939
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3486603
Secure: OPEN
Status: NATIVE
Subject: ASEAN CONCERN OVER USG TAX TREATMENT OF AMERICAN INVESTMENTS
TAGS: EGEN, ETRD, EINV, EFIN, RP, US, ASEAN
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/fcc338d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009